

A GUIDE TO PROGRAMS
CREATE HIGHER SKILLED, BETTER PAYING

TENNESSEE TOOL KIT

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TENNESSEE



A GUIDE TO PROGRAMS AIMED AT HELPING COMMUNITIES
CREATE HIGHER SKILLED, BETTER PAYING JOBS.

TENNESSEE TOOL KIT



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Dear Friends

I'm happy to present you with the latest edition of the Tennessee Toolkit, the comprehensive guide to programs and incentives offered by the state of Tennessee. Since taking office in 2003, we've reviewed our incentive offerings on an annual basis, making improvements each year to reflect the real needs of growing businesses.

Those efforts are yielding results. Since the beginning of my administration, the relocation and expansion projects we've completed have resulted in more than 145,000 new jobs and more than \$21 billion in new capital investment. In 2008, the respected business expansion publication Site Selection ranked Tennessee #1 among the 50 states for economic development and named Tennessee winner of the annual Competitiveness Award. Also, the Kauffman Foundation ranked Tennessee #4 in the nation for entrepreneurial activity and Forbes listed Tennessee among the most improved states in the nation in the magazine's annual "Best Places to Do Business" rankings.

As we've focused on our state's economy, we've kept our basic principles in mind:

Reduce red tape – My first executive order created the Jobs Cabinet to reduce red tape and bureaucratic turf battles and to give companies a single point of contact on projects. We also respond to requests for help within 72 hours.

One size does NOT fit all – Each company is unique, with a unique competitive environment and business needs which may not apply to everyone. Tennessee is flexible enough to craft a solution to fit your company's needs.

Job creation is a partnership – Job creation is a shared responsibility between the state and the local community. That's why we're helping communities create strategic plans and the infrastructure for economic development, then partnering with them to successfully execute job creation strategies.

Look to the future – In a changing economy, we're creating tax credits for emerging industries. We're also investing in education to create a ready workforce for the jobs of tomorrow.

I hope you find the information provided in the Toolkit useful. I've been pleasantly surprised by the favorable reaction the Toolkit has drawn. We've made it available on our web site at www.tnecd.gov and I can tell you it's been downloaded thousands of times and shared in economic development circles across the country. I hope it helps you learn more about our state and we welcome the opportunity to speak with you about how your business can succeed in Tennessee.

Warmest regards,



Phil Bredesen



ROI Tax Credit Enhancement

Tennessee's focus on creating job opportunities in rural areas of Tennessee presents unique hurdles and yet tremendous opportunity. Governor Bredesen has called providing broad access to higher skilled, better paying jobs in Tennessee one of the most persistent challenges he's faced during his time in office. Whether because of limited road access, lack of public infrastructure or difficulty in matching labor skills to job requirements, a different approach is needed. That's why the state of Tennessee offers a program aimed at addressing this challenge called the Rural Opportunity Initiative or ROI.

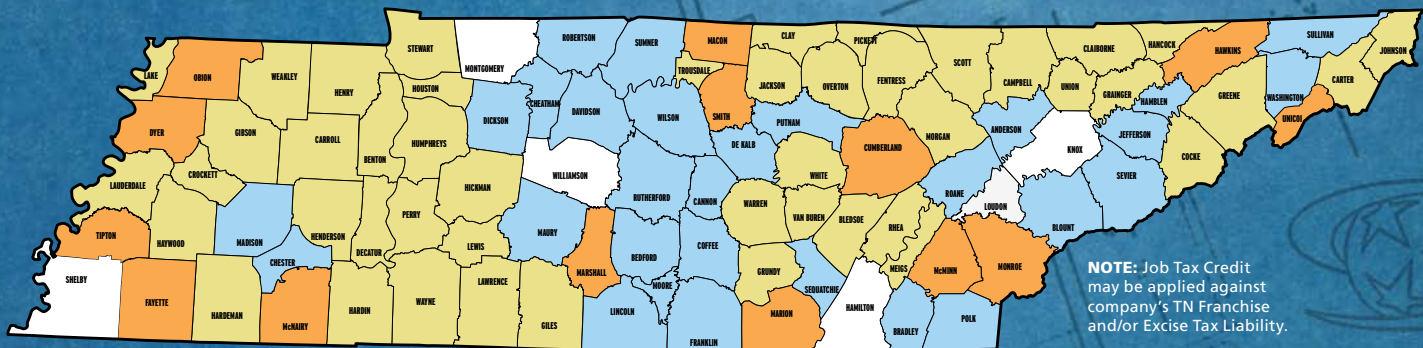
For some Tennessee counties in the economically distressed category, Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development the option to utilize the Jobs Tax Credit with enhanced tax credits. This credit can offset up to 100% of the company's total franchise and excise (F&E) tax liability. Based on analysis by the University of Tennessee, these economically distressed counties have been organized into three tiers taking into account per capita income, levels of poverty and historical unemployment.

Tier 1 Distressed Counties: each new job created will receive \$4,500 in tax credits with a 15-year carry forward when 25 or more new jobs are created.

Tier 2 Distressed Counties: each new job created will receive \$4,500 in tax credits with a 15-year carry forward, plus an additional 3 years at \$4,500 in tax credits per job with no carry-forward when 25 or more new jobs are created.

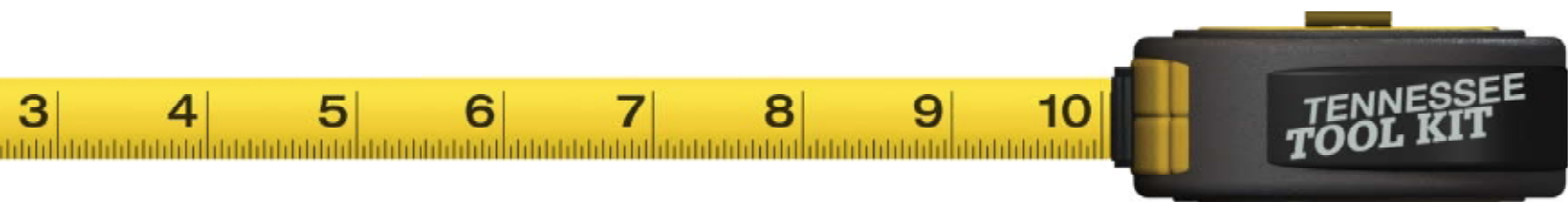
Tier 3 Distressed Counties: each new job created will receive \$4,500 in tax credits with a 15-year carry forward, plus an additional 5 years at \$4,500 in tax credits per job with no carry-forward when 25 or more new jobs are created.

Non-economically distressed: \$2,000 jobs tax credit with 15-year carry forward.



NOTE: Job Tax Credit may be applied against company's TN Franchise and/or Excise Tax Liability.

By building strong partnerships around ROI, the return on Tennessee's investment will be stronger communities, more vibrant local economies and better lives for our citizens.



Three-Star Community Development Certification

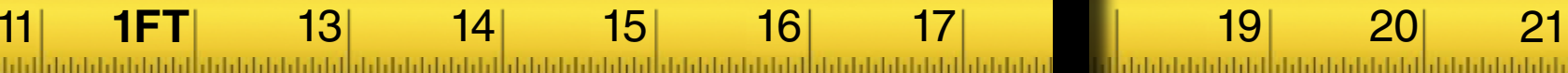
One of the best known programs for Tennessee communities is the Three-Star Community Development certification program. More than 80% of Tennessee's counties either take part in or have communities who take part in the Three Star process. Three-Star certification means a community has done the basic planning necessary to prepare for economic development and has taken steps to attract new jobs and investment.

By participating in the Three-Star program, communities can receive discounts to the matching funds required in order to apply for many ECD grant programs. Since January 2003, Three-Star communities have saved over \$1 million in matching funds requirements.

To participate in Three-Star, communities should take the following steps:

1. Review the Three-Star application criteria with an ECD specialist.
2. Develop and submit to ECD a five year strategic plan outlining steps to meet the program requirements.
3. Local elected body reviews and approves the strategic plan and it is submitted to ECD for evaluation. At this stage changes may be requested.
4. ECD evaluation team makes an approval recommendation to the Governor.
5. The Governor approves and formally presents Three-Star certification to community.

To learn more about the Three-Star program, download the program's requirements at www.tnecd.gov/pdf/3Star_07.pdf or contact ECD's Community Development team at (615) 741-2373.



The Tennessee Main Street Program

The Tennessee Main Street Program is a comprehensive revitalization program designed to promote the historic and economic redevelopment of traditional business districts in Tennessee. The Tennessee Main Street Program serves as a coordinating partner with the National Main Street Center, a program of the National Trust for Historic Preservation.

The Tennessee Main Street Program can help your community:

- Develop strategies for long term revitalization of your community's traditional business district, focusing on community revitalization through the context of historic preservation.
- Provide limited technical assistance to non-certified Main Street communities pursuing the development of a downtown revitalization program or information about the National Main Street Program.
- Identify and communicate to community leaders about state, local and federal agencies with resources to assist in downtown revitalization and community development.
- Understand the comprehensive "step by step" process in which communities are selected to become certified Tennessee Main Street Programs in Tennessee.



To learn more, go to www.tnecd.gov/comdev_mainstreet.htm or contact ECD's Community Development team at (615) 741-2373.

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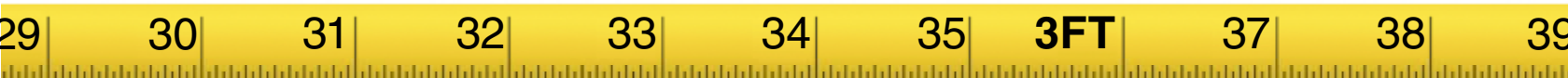
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Retire Tennessee

For some Tennessee communities, the best way to promote growth while still retaining a quiet, slow-paced quality of life is through attracting newly retired residents. The state of Tennessee has selected nine communities in which to launch Retire Tennessee, a community marketing program aimed at branding Tennessee as a retirement destination.

The pilot programs are already underway in Cumberland, Greene, Hamilton, Hardin, Henry, Jefferson, Lincoln, Putnam and Sullivan counties. Remaining Tennessee communities can also find assistance in making Retire Tennessee part of their Three-Star certification program.

For more information, go to www.retiretennessee.org or call (731) 423-5771.



FastTrack

Arguably, Tennessee's most utilized tools to assist communities in attracting new jobs. FastTrack focuses on assisting companies in the training of new employees and helping communities in the development of public infrastructure which assists companies in their expansion or relocation. Taken together, these programs are known as FastTrack. Along with the Tennessee Job Skills program, FastTrack streamlines and speeds the process and reduces the cost for companies seeking to create jobs.

FastTrack Job Training Assistance (FJTAP) – This incentive is available to both new and expanding industry and begins with a company developing a training plan including the number of people to be hired, types of skills required and types of training needed. The plan is developed in conjunction with the FastTrack staff and is designed to be customizable and flexible. Companies will track costs associated with implementation of the training program, then submit to the state for reimbursement.



More information about JBT can be obtained by calling (615) 741-6201.

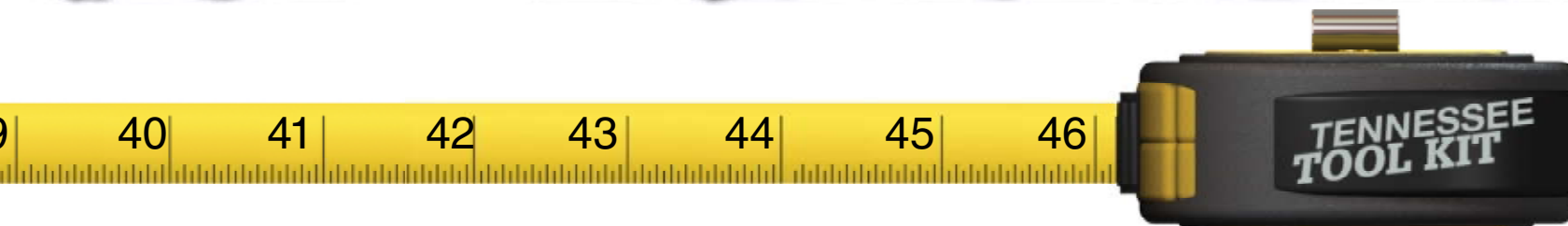
Training may include:

- Classroom instruction.
- On-the-job training.
- Vendor training from the actual manufacturer of a piece of industrial equipment.
- System support for certain types of plant-wide or company-wide applications.
- Development and coordination of instructional materials and training programs.
- Travel related to training.

More information about FJTAP can be obtained by calling (615) 741-6201.

A potentially faster program for reimbursement of training costs, companies may seek reimbursement from the state of Tennessee once a job creation commitment and cost-per-job is established. In order to qualify, companies must work with ECD to reach a contractual agreement which determines:

- The cost per job and the total commitment of jobs.
- Once agreed upon with ECD, companies can seek reimbursement of 50% of the cost per job within the first 90 days after the job is created. The remaining 50% can be claimed 180 days after the job is created.
- The company must agree to provide documentation including the number of jobs created and the wages paid for each job.
- Multi-year contracts between a company and ECD can be reached to accommodate multi-year job creation projects.
- If the total commitment of jobs is reached, companies may seek the entire training reimbursement allocation through JBT.



FastTrack

Tennessee Job Skills (TJS) – Similar to FJTAP, but with a focus on employers and industries which create high skill, high wage jobs in emerging, high-demand and technology focused sectors of the economy. Training staff will work with companies to develop a unique, flexible, comprehensive training plan which meets the company’s initial training needs and will then follow up to insure each phase of the program meets the company’s needs. Companies track costs and apply to the state for reimbursement. Reimbursement rates depend on the level of training and the types of instructors utilized.

More information about TJS can be obtained by calling (615) 741-6201.

Applicant Recruitment and Screening – Utilizing the company’s job specifications, the Tennessee Department of Labor and Workforce Development will recruit and screen job applicants through the department’s Job Service Division. Those applicants meeting the company’s criteria will be forwarded to the company for hiring consideration. The Tennessee Department of Labor and Workforce Development also provides:

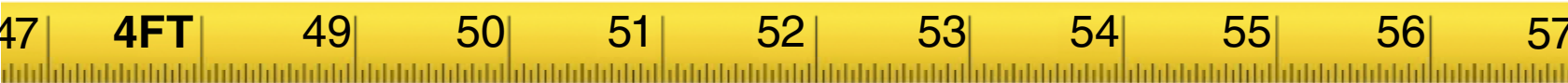
- Leadership training for supervisors, team leaders and managers on interpersonal skills required to motivate employees.
- Team training where interpersonal communication is essential between supervisors and team members.
- Instructor certification based on a company’s specific requirements.

FastTrack Infrastructure Development Program (FIDP) – In order to qualify for this program, local communities must apply to ECD with a goal of

improving public infrastructure in order to create new jobs and business investment. Applications must be for specific projects and must be tied to a company commitment to create or retain a defined number of jobs. Qualifying projects must involve companies engaging in manufacturing or other economic activities beneficial to the state of Tennessee. Companies for whom more than 50% of the product or service is involved in the manufacture of products for export are also eligible. FIDP grants require local community matching funds calculated along a varying scale based on a community’s ability to pay.

FastTrack Infrastructure Development funds can be utilized to build:

- Water systems, including intake structures, treatment plants, storage tanks, transmission lines or other structures associated with public water service.
- Wastewater systems, including collector lines, treatment plants and other structures associated with public wastewater treatment services.
- Transportation systems, including industrial access and other public transportation infrastructure.
- Site improvements, including grading, infilling, leveling or other extraordinary situations in which the physical conditions of a site must be altered in order to allow capital investment for job creation.
- Technology systems, including the extension of broadband or high speed data transmission lines necessary for companies to conduct business.
- Other improvements to the physical infrastructure of a site may be considered if communities can demonstrate such improvements are required for the location or expansion of a business which creates jobs.



FastTrack

FastTrack Infrastructure Development funds CAN help BEFORE a project is underway:

FIDP funds MAY be utilized by communities to construct public infrastructure to community-owned speculative buildings and to speculative industrial areas and industrial parks. To qualify, a community must be located in a Tier 1, Tier 2 or Tier 3 Economically Distressed County (see map).

- Communities seeking technical expertise on transportation improvements designed to facilitate business investment and job recruitment may also qualify for the State Industrial Access Program (SIAP). Communities may submit multiple designs for an industrial project to engineers with the Tennessee Department of Transportation for comment on feasibility.
- ECD will also provide counseling to communities seeking to obtain Industrial Revenue Bond financing in either a taxable or tax free scenario.

More information about FIDP can be found at www.tnecd.gov/progman_tiip.htm or by calling (615) 741-6201.

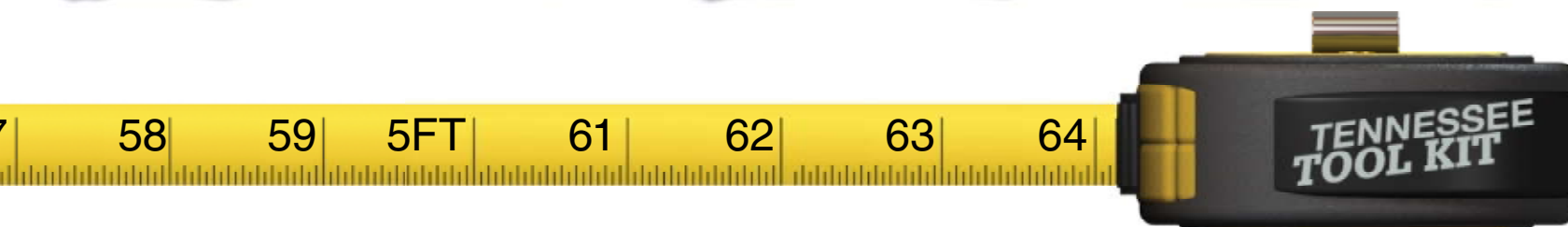
Business Enterprise Resource Office – The Tennessee Business Enterprise Resource Office or BERO (pronounced BEE-row) provides technical, financial and business plan development advice for small, minority-owned and woman-owned businesses. BERO's goal is for constituent companies to become financially stable and make the transition from single entrepreneur operations to growing businesses. BERO works closely with the Governor's Office of Diversity Business Enterprise (GO-DBE).

BERO can assist companies with:

- Technical assistance, such as obtaining a business license, developing a business plan, exploring financial assistance or expansion assistance, as well as other special needs.
- Assisting with procurement opportunities, engaging in business matchmaking fairs and advice on making contacts with corporate buyers.
- Driving manufacturing initiatives and providing links to resources for expansion.
- Creating export opportunities and connecting companies to international market data as well as export resources at the local and federal levels.

BERO's staff includes an expert in small manufacturing development whose goal is to foster business-to-business networking between large and small companies, and who maintains a manufacturers resource directory with links to trade associations, government agencies and community organizations.

More information about BERO can be found at www.tnecd.gov/bizserv_minority.htm or call (615) 741-2626.





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Tennessee has already established forward-thinking business incentives, such as:

The Green Energy Tax Credit

As part of a comprehensive energy strategy, Tennessee offers the Green Energy Tax Credit to certified green energy supply chain manufacturers. The credit will be granted in an amount equal to any carbon tax levied by the Tennessee Valley Authority on a certified manufacturer's energy bill. The credit must be used to offset the certified manufacturer's franchise and excise tax liability. Any tax credit which cannot be used to benefit a certified manufacturer during a fiscal year may be returned to the taxpayer in the form of a cash overpayment. TVA has agreed to supply necessary information to the Commissioner of Revenue to verify the amount of the credit.

Pollution Control Equipment Tax Credit

If a company obtains a certificate from the Tennessee Department of Environment and Conservation certifying that the company's purchase of pollution control equipment is mandated by state, federal or local law and the equipment will result in the reduction of pollution in the water or air or the elimination of hazardous wastes, the equipment can be taxed at salvage value for the purposes of calculating tangible personal property tax. The certificate will also exempt the equipment from sales and use tax and exclude it from calculation of a company's franchise tax liability.

The Green Island Corridor Grant Program

Administered by the Tennessee Department of Transportation (TDOT), this program assists retail vehicle fuel stations and farm co-ops with up to 80 percent of the costs to convert or install storage and fuel dispensing equipment for E85 and B20 pumps, with a cap of \$45,000 per pump. TDOT advertises biofuel station locations on the Official State Map and provides interstate signage at exits with participating biofuel stations. This program is working to establish a statewide network of E85 and B20 pumps along interstate and major highway corridors to make these fuels available to citizens, travelers and fleets.

Tennessee Small Business Energy Loan Program

Companies with fewer than 300 employees or less than \$3.5 million in annual gross sales are eligible to apply for low interest loans of up to \$300,000 to upgrade energy efficiency in buildings and plants and to improve the efficiency of manufacturing processes. Companies may install insulation, double pane windows, energy efficient heating and cooling systems and energy efficient lighting are among the steps companies can take in an effort to lower energy costs. ECD can also arrange for energy audits of qualifying businesses.

Local Government Energy Efficiency Loan Program

ECD offers low interest loans to municipal and county governments to fund energy related improvements to courthouses, administration buildings, schools, maintenance facilities and other buildings owned by local government. Even if a local government doesn't apply for the loan program, the Energy Division will arrange for an energy audit to provide technical assistance to communities interested in lowering their energy costs. The loan maximum for each community is \$500,000 annually, interest rates are 0% for Three Star certified communities, 3% for all others with loans amortized over 7 years.

Tennessee Clean Energy Technology Grant Program (TN-CET)

ECD offers grants to offset the cost of businesses installing clean energy technology such as solar systems, solar electric generating equipment, wind energy systems, solar thermal systems, hydrogen fuel cells and hybrid solar lighting. The maximum available grant amount is 40% of the installed system cost up to \$75,000. Grant dollars are allocated on a "reimbursement basis" only and a contractor's design and installation proposal must be submitted with the application.

Biodiesel Infrastructure Grants

ECD offers each county one grant to defray the cost of installing biodiesel fuel tanks, pumping equipment and card readers. Local communities can reduce fuel costs by utilizing biodiesel in school buses, maintenance vehicles, heavy equipment or any other vehicle powered by diesel fuel. Biodiesel fuel produces fewer pollutants and can be used in existing diesel powered vehicles without the cost of retrofitting. Local matching funds are required to qualify, but can take the form of land, equipment and/or labor.

Main Street Lighting Program

ECD can provide matching grants to communities to assist them with the purchase and installation of energy efficient outdoor lighting in their main business districts. The program provides 50% matching funds of no more than \$20,000 for each project. Local matching contribution may be in-kind and applicants must undergo an energy audit and may receive reimbursement upon project completion.

Reduced Tax on Electricity

Tennessee offers reduced sales tax rates on manufacturers use of energy, fuel and water (1.5% vs 7%).

For more information about energy-related programs, contact ECD at (615) 741-6201 or go to www.state.tn.us/ecd/energy



Governor Phil Bredesen's record of environmental preservation and his commitment to sustainability began long before he was elected governor.

An avid outdoorsman, he was instrumental in the creation of the Land Trust for Tennessee in 1998 and as the state's chief executive developed the unique partnership with Oak Ridge National Lab, the University of Tennessee and the state of Tennessee aimed at moving research forward in the development of cellulosic ethanol made from products outside the food chain. That effort laid the groundwork for the U.S. Department of Energy to name Oak Ridge National Lab one of three national bio-fuels research centers in 2007.

One of the state of Tennessee's boldest moves came in March 2008 when Governor Bredesen signed Executive Order 54, establishing the Governor's Task Force on Energy Policy. The group pulls together leading voices from across the state in the areas of conservation, technology, education, government and research to develop strategies for aggressively moving Tennessee to the forefront of renewable energy development and environmental sustainability.

The Task Force will make policy recommendations about ways government, as the largest consumer of energy in the state, can reduce its carbon footprint. Understanding that a whole new generation of technologies will be created as U.S. corporations seek to reduce costs through reduction of energy consumption, the Task Force seeks to position Tennessee as a leader in the development of "green jobs" and to use our state's nationally recognized business climate as an incubator for environmental friendly innovation.



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Grants and Loan Programs

ECD is the administrator of a number of federal and regional grant and loan programs designed to benefit communities and enhance economic prosperity. These programs include:

Community Development Block Grant Program (CDBG) – Grant dollars are available to communities with a population of less than 50,000 residents for the purpose of attracting new or expanding companies, as long as the projects align with one of three national objectives:

1. Principally benefit low and/or moderate income people.
2. Eliminate or prevent slums and/or blight.
3. Address imminent health and/or safety problems.

CDBG grants are administered as part of two primary programs:

- **Economic Development, which includes grants for industrial infrastructure as well as loans for industrial buildings and equipment.**
- **Community Development, which includes grants for water and wastewater treatment facilities, housing rehabilitation and projects aimed at improving community livability.**

Feedstock Processing Demonstration Loans – Administered by ECD and the Tennessee Department of Agriculture, the aim of this program is to spur investment in agricultural feedstock processing facilities across the state, primarily to insure that Tennessee-grown soybeans are utilized in the production of biodiesel fuel. The program is open to new applications as existing loans are repaid.

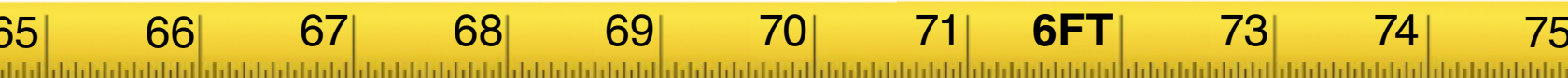
Private Activity Bonds – ECD manages the federally mandated limit on the amount of bonds that can be issues through local industrial development boards, the Tennessee Housing Development Agency and for student loans. The limit is set each year by the Internal Revenue Service.

Appalachian Regional Commission (ARC) – ECD allocates each year a series of grants aligning with the objectives of the ARC, a federal-state partnership aimed at creating self-sustaining economic development and improved quality of life for the people of the Appalachian Mountain region. The ARC was designed primarily to benefit a region in the states of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia. The grants fall into four categories: highway, non-highway, development district and regional initiative.

In Tennessee, 50 counties are eligible to qualify for ARC grants: Anderson, Bledsoe, Blount, Bradley, Campbell, Cannon, Carter, Claiborne, Clay, Cocke, Coffee, Cumberland, De Kalb, Fentress, Franklin, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hawkins, Jackson, Jefferson, Johnson, Knox, Loudon, McMinn, Macon, Marion, Meigs, Monroe, Morgan, Overton, Pickett, Polk, Putnam, Rhea, Roane, Scott, Sequatchie, Sevier, Smith, Sullivan, Unicoi, Union, Van Buren, Warren, Washington, and White.

Grants funds may be used to construct or improve:

- **Infrastructure projects, like water, wastewater, roads and rail projects aimed at securing new jobs or retaining existing jobs.**
- **Job training programs.**
- **Development of basic skills in the areas of reading, writing, computation and computer literacy.**
- **Housing.**
- **Multi-jurisdictional programs creating demonstration projects aimed at enterprise development.**



Grants and Loan Programs

The ECD-BERO Micro Loan Fund - This program is designed to encourage job creation and provide access to capital to existing and potential entrepreneurs to support their growth and expansion. Start-up financing for the ECD-BERO Micro Loan Fund was secured from the USDA Rural Development rural business enterprise grant (RBEG) program. Micro loan funds of \$500-\$5,000 are available for use by entrepreneurs living and operating a business in rural Tennessee. A micro-enterprise is defined as a for-profit entity with five or fewer employees, one of whom owns the business. Fixed assets and working capital loans are accepted and the maximum loan amount is \$5,000. Technical assistance and training are available for the duration of the loan.

For more information about this program, contact BERO at 1-800-872-7201.

Delta Regional Authority (DRA) – ECD allocates each year a number of grants aligning with the objectives of the DRA, a federal-state partnership aimed at improving the lives of people living in the delta region of the Mississippi River Valley. The DRA is focused primarily on the states of Missouri, Illinois, Kentucky, Tennessee, Mississippi, Alabama, Louisiana and Arkansas.



Tennessee counties eligible for DRA grants include:

- | | | | |
|------------|-------------|--------------|-----------|
| • Benton | • Fayette | • Henry | • Obion |
| • Carroll | • Gibson | • Lake | • Shelby |
| • Chester | • Hardeman | • Lauderdale | • Tipton |
| • Crockett | • Hardin | • parts of | • Weakley |
| • Decatur | • Haywood | Madison | |
| • Dyer | • Henderson | McNairy | |

Funds may be used for infrastructure improvement projects which aid job creation projects. For more information about available grants and loans, contact ECD at (615) 741-6201.

Technical and Planning Services

ECD provides planning services and technical assistance to communities on a contract basis. From regional offices in Chattanooga, Cookeville, Jackson, Johnson City, Knoxville and Nashville, professional land use planners can help communities with planning, zoning and other advisory services.

To learn more, contact ECD's Local Planning Assistance Office at (615) 741-2211 or visit our web site at www.state.tn.us/ecd/locplan

ECD can also provide communities with assistance in seeking to qualify for the National Flood Insurance Program (NFIP) which allows homeowners to qualify for flood insurance if their community adopts flood plain management regulations. ECD's Local Planning Assistance Office can:

- **Provide help drafting ordinances.**
- **Train community officials on flood plain management.**
- **Provide site reviews to communities.**
- **Provide resources to codes administrators, surveyors, engineers, lenders, insurance agents, realtors, developers and property owners.**
- **Provide mapping services.**

To learn more about the NFIP or to find help, call (423) 434-6476 or visit our web site at www.state.tn.us/ecd/locplan



Taxes and Incentives for New and Expanding Business

Tennessee has long been considered a state with one of the most business friendly economic climates in the nation. With one of the nation's lowest per capita tax burdens, no tax on personal income and no state property tax, Tennessee has attracted more than 146,000 new jobs and \$21 billion in new capital investment in the last five years alone.

Tennessee does not take a "one size fits all" approach and evaluates and changes its incentive offerings annually to meet the needs of business in the current economic environment. That's why respected publications like Site Selection magazine ranked Tennessee #1 among the 50 states for economic development competitiveness, giving the state the magazine's prized Competitiveness Award in 2008. The primary business taxes in Tennessee are the franchise tax and the excise tax (F&E). Tennessee's largest single source of revenue is the sales and use tax.

Franchise Tax

- Tax on the greater of net worth or book value of property owned or used in Tennessee.
- Tax rate is 25¢ per \$100.
- Finished goods inventory in excess of \$30 million may be excluded.
- Pollution Control Equipment is exempt.
- Property under construction and not being utilized is not included.
- Property rented from the industrial development corporation may be valued by capitalizing it on the books.
- Tennessee exempts will exempt two thirds (2/3) of the capital investment of companies qualifying for the Jobs Tax Super Credit.

Excise Tax

- Tax is based on the net earnings of the company derived from doing business in Tennessee.
- Tax rate is 6.5%
- No throwback provision – sales outside of Tennessee are not taxed.
- All capital losses are claimed in the year incurred
- Net operating losses can be carried forward for 15 years.
- Net operating losses for projects of over \$100 million may be extended beyond 15 years.

Sales and Use Tax

- 7% state sales tax plus the applicable local rate (2.25%-2.75%) on any person or company who manufactures, distributes or sells tangible personal property within the state

No sales tax is levied on:

- Purchases, installation and repairs of qualified industrial machinery
- Raw materials for processing
- Pollution control equipment for manufacturers
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5% vs. 7%)
- Qualified industrial supplies
- Items purchased for resale
- Containers, packaging and wrapping materials
- Additional exemptions or credits may be available

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Tax Based Incentives

Jobs Tax Credit

Tennessee allows “qualified business enterprises” a credit against their franchise and excise taxes based on their capital investment and the number of jobs created. The amount of the credit and the period of time during which it can be used varies according to the size of the investment.

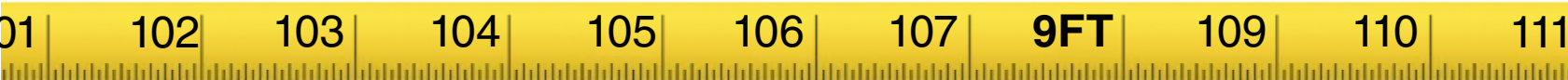
- **A company investing \$500,000 and creating 25 new jobs can claim a \$2,000 credit (or \$4,500 if locating in an economically distressed county) against their F&E taxes over a period of 15 years.**
- **Qualified business enterprises must meet the \$500,000 investment and 25 job threshold in a fiscal year if locating in a non-distressed or Tier 1 county (see map). Businesses locating in a Tier 2 county may take three years to create 25 jobs or five years to create 25 jobs in a Tier 3 county.**
- **The company can qualify for a \$4,500 Jobs Tax Credit if it invests \$20 million in capital and creates a minimum of 1,000 jobs in a federally designated empowerment zone. Currently, Tennessee’s only federally designated empowerment zone is in Knoxville, TN.**
- **The percentage of tax liability companies are able to offset ranges from 33.33% to 100% based on the total number of full-time jobs in Tennessee at the end of the fiscal year, ranging from less than 1,000 to 5,000 or more.**

For example, in Shelby, Davidson, Montgomery, Wilson, Williamson, Knox, Hamilton @ \$2,000 per job

Jobs Created	Amount of Credit	Full-Time TN Jobs	Percentage Offset
25	\$50,000	75	33.33%
100	\$200,000	999	33.33%
500	\$1,000,000	1100	50%
999	\$1,998,000	3000	75%
1000	\$2,000,000	5100	100%

For example, in all other TN counties @ \$4,500 per job

Jobs Created	Amount of Credit	Full-Time TN Jobs	Percentage Offset
25	\$112,500	75	33.33%
100	\$450,000	999	33.33%
500	\$2,250,000	1100	50%
999	\$4,495,500	3000	75%
1000	\$4,500,000	5100	100%



State law gives the commissioner of Revenue and the commissioner of Economic and Community Development broad latitude to extend the offset percentage to 100% for qualified headquarters and/or qualified warehouse and distribution facilities.

Qualified business enterprises can include:

- Manufacturing
- Warehousing and distribution
- Processing tangible personal property
- Research and development
- Computer services
- Call centers
- Qualified Data centers
- Headquarters facilities
- Convention or trade show facilities
- Repair service facilities for aircraft owned by unrelated commercial, foreign or government persons

Tiered ROI Jobs Tax Credit

Tennessee allows an additional Jobs Tax Credit for qualified businesses locating in a Tier 2 or Tier 3 county (see map). The credit is designed to promote investment in rural areas of the state and the amount of the credit is based on the county's per capita income and historic poverty levels. Qualified businesses locating in a Tier 2 or Tier 3 county will be eligible for the Tiered ROI Jobs Tax Credit if they qualify for the Jobs Tax Credit.

- The Tiered ROI Jobs Tax Credit is taken annually for either a 3-year or 5-year period, depending on the county's ROI designation.
- The credit may be used to offset 100% of F&E tax liability each year of the 3-year or 5-year period.
- The Tiered ROI Jobs Tax Credit can be taken in addition to the Jobs Tax Credit.

Jobs Tax Super Credit

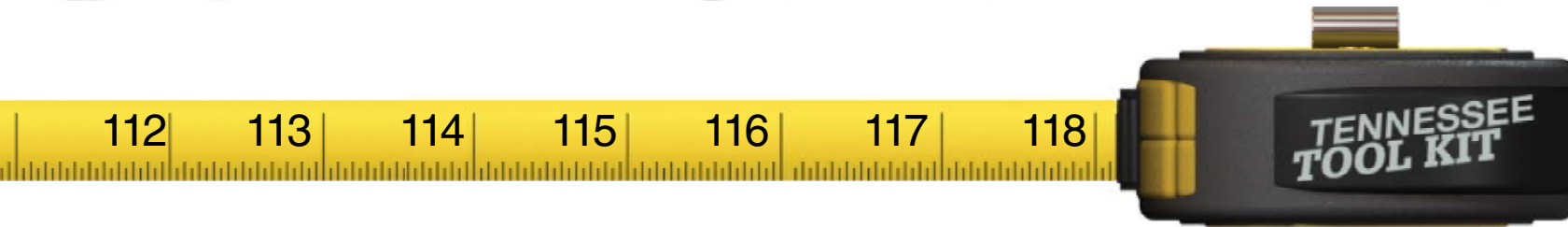
For larger, more capital intensive investments, Tennessee has created a Super Credit which applies to those companies investing capital of \$100 million or more and creating a minimum of 100 jobs paying at least 100% of Tennessee's average occupational wage. These credits can be used to offset up to 100% of the companies F&E tax liability, but must be taken in the first tax year after the job creation and capital investment thresholds have been met and can be taken annually. The Super Credit does not include carry-forward provisions and is available in addition to Jobs Tax Credits.

The Super Credit allows companies to exempt two thirds (2/3) of the required capital investment on Schedule G of the company's franchise and excise tax return.. Investments must be made during a 3-year period, but can be extended to 5 years (or in the case of a \$1 billion investment, 7 years) at the discretion of the Commissioner of Economic and Community Development.

Super Credits are available at the following levels:

Capital Investment	Jobs Created	Size of Credit**	Years Available
\$100 million	100	\$5,000	3
\$250 million	250	\$5,000	6
\$500 million	500	\$5,000	12
\$1 billion*	1,000	\$5,000	20

*Projects qualifying in this category must create jobs paying 150% of the state's average occupational wage.
**per job per year



Integrated Supplier Tax Credit

Tennessee extends certain tax credits to suppliers located within the footprint of a project meeting the \$1 billion investment threshold and creating 1,000 or more jobs. The purpose of the Integrated Supplier Tax Credit is to expand the impact of large “anchor” projects by encouraging co-location of suppliers. A qualified supplier locating within the footprint of such a project will qualify for a Jobs Tax Super Credit equal to \$5,000 per qualified job with a 15 year carry-forward, plus an additional \$5,000 per job each year for six years.

The Integrated Supplier Tax Credit applies regardless of capital investment or number of jobs created.

Industrial Machinery Tax Credit

For capital investments in industrial machinery, Tennessee offers qualified businesses a tax credit offsetting up to 50% of their F&E tax liability. To qualify for this credit, companies are not required to create new jobs. The credit applies to the purchase, installation and repair of industrial machinery as defined in T.C.A. 67-6-102. The credit also applies to the purchase and installation of computer, computer software and certain peripheral devices purchased in order to meet the capital investment thresholds of the Jobs Tax Credit.

The Industrial Machinery Tax Credit has a 15 year carry-forward.

Capital Investment	Percentage of Credit
Less than \$100,000,000	1%
\$100,000,000	3%
\$250,000,000	5%
\$500,000,000	7%
\$1,000,000,000	10%



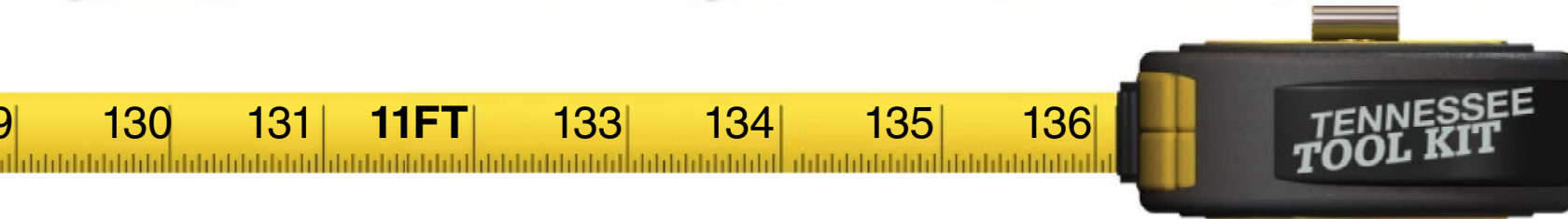
Headquarters Tax Credit

In order to encourage companies to locate their corporate headquarters in Tennessee, the state offers tax credits based on the cost of relocating the company and building a new headquarters facility in Tennessee.

- With a capital investment of \$50 million or more, the company may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.
- A project involving a capital investment of \$10 million or more and creating 100 jobs paying 150% of the state’s average occupational wage may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.
- Investments must be made during a 3-year period, but can be extended to 5 years (or in the case of a \$1 billion investment, 7 years) at the discretion of the Commissioner of Economic and Community Development.
- Companies qualifying for the sales and use tax credit may also qualify for credits against their F&E tax liability based on the amount of qualified relocation expenses incurred in the establishment of a headquarters facility. This is a fully refundable tax credit.
- Companies with a regional, national or international headquarters facility in Tennessee may (with approval from the Commissioner of Revenue and the Commissioner of Economic and Community Development) convert unused net operating losses (NOL) to a credit against F&E tax liability.
- The NOL credit is available only if the company is unable to use the NOL to offset net income during the current tax year.
- Credits for the cost of relocating jobs paying at least 150% of Tennessee’s average occupational wage are available on a tiered schedule as follows:

Jobs Created	Tax Credit per Job
100-250 jobs	\$10,000 per job
250-500 jobs	\$20,000 per job
500-750 jobs	\$30,000 per job
1,000+ jobs*	\$50,000 per job

* requires capital investment of at least \$1 billion



Data Center Tax Credit

Companies may obtain tax credits for the purchase of materials related to the construction of a data center, which is defined as a building or buildings housing high technology computer systems and related equipment if they create 25 new jobs paying at least 150% of the state’s average occupational wage and invest a minimum of \$250 million in capital.

- **The purchase of computers, computer systems and repair parts used in qualified data centers are exempt from sales and use taxes (these purchases are classified as industrial machinery).**
- **Investments must be made during a 3-year period, but can be extended to 5 years (or in the case of a \$1 billion investment, 7 years) at the discretion of the Commissioner of Economic and Community Development.**
- **Qualified data centers will also pay reduced sales taxes on the purchase of electricity (1.5% vs. the previous rate of 7%).**
- **The purchase of computers, computer systems and repair parts for a qualified data center allows companies to qualify for a 1%-10% tax credit against F&E liability under the Industrial Machinery Tax Credit.**

Emerging Industry Tax Credits

Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic & Community Development broad latitude in classifying certain projects as part of an emerging industry. If companies can demonstrate a strong growth potential and commit to creating jobs which pay above the county’s average occupational wage, the state may waive the threshold of 25 new jobs created in order to qualify for the Jobs Tax Credit.

Daycare Facility Tax Credit

In order to encourage the construction of daycare facilities, the state of Tennessee offers companies a tax credit against their F&E tax liability equal to the cost of 25% of the construction of a facility with a cost not to exceed \$100,000 per facility and a tax credit not to exceed \$25,000 per facility.

To find out if your job creation project qualifies for tax credits in Tennessee, call ECD’s Business Development division toll-free at (877) 768-6374.



International Programs

Tennessee is one of the fastest growing export states in the nation and one of the best ways communities can help their hometown companies create new jobs is by helping them access new global markets. But where do you begin? What markets hold the greatest potential? And how do you find a distributor or a trade show that can help you make the right decision?

The state of Tennessee partners with the U.S. Department of Commerce's Foreign Commercial Service to help companies walk through this process.

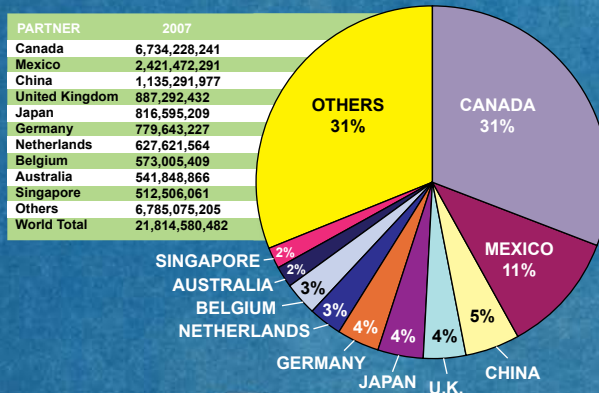
Tennessee exported more than \$21.8 billion in merchandise to countries around the globe last year. Export shipments grew 73% from 2003 to 2007. By comparison, the total U.S. growth in merchandise exports over this same period was only 60%.

The state's top export markets include Canada, Mexico and China, while the top export commodities include transportation equipment, computers and electronic products, and chemical manufactures.

For more information call the U.S. Export Assistance Center at (615)736-2224.



TENNESSEE WORLD EXPORTS



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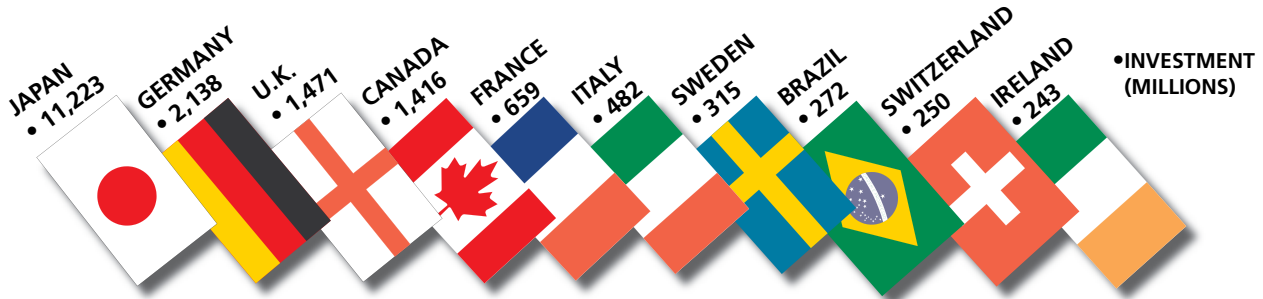
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TENNESSEE
TOOL KIT

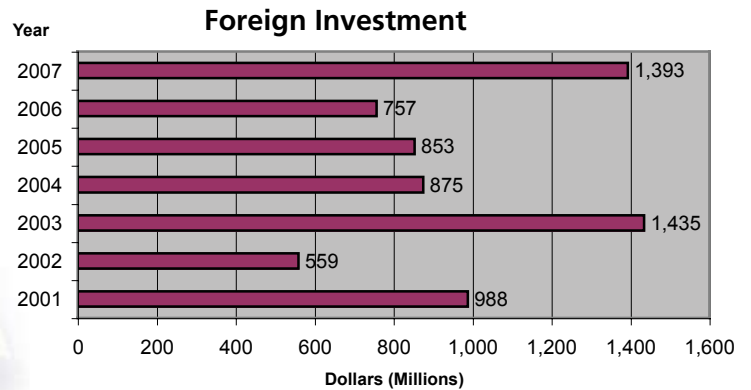
Foreign Direct Investment



Tennessee is home to 664 foreign owned subsidiaries representing 29 countries and investments of \$18 billion.

More than 111,000 Tennesseans are employed by foreign owned subsidiaries, and more than half of these jobs are in the manufacturing sector.

Tennessee's top foreign investor is Japan, followed by Germany, the United Kingdom and Canada.



A GUIDE TO PROGRAMS AIMED AT HELPING COMMUNITIES
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EXISTING BUILDING

30'-2"

19'-0"